

BATON
BROADCASTING
INCORPORATED



INTERIM REPORT

FOR THE SIX MONTHS ENDED
FEBRUARY 28, 1978

BATON BROADCASTING INCORPORATED

INTERIM FINANCIAL REPORT

(Unaudited)

FOR THE SIX MONTHS ENDED FEBRUARY 28, 1978

(With Comparative Figures for 1977)

CONSOLIDATED STATEMENT OF INCOME

	1978	1977
Revenue:		
Air time sales net of agency commission	\$18,617,082	\$16,580,656
Production revenue	6,627,839	6,318,887
Printing revenue	11,413,584	9,714,055
Investment income	251,574	168,691
	<u>36,910,079</u>	<u>32,782,289</u>
Operating expenses	27,969,525	23,912,453
Income from operations	8,940,554	8,869,836
Loss from discontinued operation		34,543
	<u>8,940,554</u>	<u>8,835,293</u>
Deduct:		
Depreciation	1,107,222	1,093,101
Interest	166,525	310,112
	<u>1,273,747</u>	<u>1,403,213</u>
Income before income taxes	7,666,807	7,432,080
Income taxes	3,554,427	3,549,926
Net income before minority interest	4,112,380	3,882,154
Deduct minority interest	178,448	277,641
Net income for the period	\$ 3,933,932	\$ 3,604,513
Number of shares outstanding	6,900,000	6,900,000
Net earnings per share	57.0¢	52.2¢

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	1978	1977
Funds provided from operations:		
Net income for the period	\$ 3,933,932	\$ 3,604,513
Add (Deduct) items not involving an outlay of funds:		
Depreciation	1,107,222	1,093,101
Deferred income taxes	(130,572)	86,571
Goodwill amortization	29,219	29,156
Minority interest	178,448	277,641
Total funds provided	5,118,249	5,090,982
Funds used for:		
Acquisition of subsidiary	4,758,046	
Deduct working capital of subsidiary acquired	1,938,538	
	<u>2,819,508</u>	
Investment in other companies	16,834	
Purchase of fixed assets	1,845,626	632,516
Dividends paid	793,500	690,000
Repayments of long-term debt	190,268	1,489,961
Mortgage receivable	378,000	
Total funds used	<u>3,224,228</u>	<u>5,631,985</u>
Increase (Decrease) in working capital during the period	1,894,021	(541,003)
Working capital, beginning of period	14,696,950	12,433,337
Working capital, end of period	<u>\$16,590,971</u>	<u>\$11,892,334</u>

TO THE SHAREHOLDERS:

The unaudited consolidated net income of Baton Broadcasting Incorporated for the six months ended February 28, 1978 amounted to \$3,933,932 or 57¢ per share. This compares to net income for the corresponding period last year of \$3,604,513 or 52.2¢ per share.

Net income from the Company's broadcasting and production subsidiaries rose \$478,000 or 14.8% above a year ago.

Revenue from the sale of air time gained \$2,036,000 while production revenue increased \$309,000 over last year. Operating expenses of the Company's broadcasting and production facilities rose \$1,777,000 over the corresponding period one year ago.

C. F. Houghton Limited contributed \$228,000 to net income after provision for income taxes and minority interest, a decrease of \$149,000 below last year. Gross revenue increased \$1,700,000 or 17.5% while operating costs reflecting increases in the volume of printing business and higher material and labour costs climbed \$2,280,000 or 28.7%. The decline in net income is due to lower profit margins in the business forms industry.

On March 28th the Canadian Radio-television and Telecommunications Commission announced a five year licence renewal for Radio Station CKLW-AM in Windsor, Ontario. The licence runs from April 1, 1978 to March 31, 1983.

Your Board of Directors has approved a dividend of 16.5¢ per share payable May 1, 1978 to shareholders of record at the close of business April 14, 1978. This is an increase of 5¢ per share over the 11.5¢ per share semi-annual dividend paid last year. The dividend will be paid from 1971 Capital Surplus On Hand and will therefore be tax deferred in the hands of Canadian residents.

The Company has purchased a 54% interest in Multiple Access Limited for \$9,750,000 subject to the approval of the Canadian Radio-television and Telecommunications Commission. Multiple Access Limited is the licensee of television station CFCF-TV and radio stations CFCF-AM and CFCF-FM in Montreal, Quebec. The Commission will hold a Public Hearing on April 13th in Montreal to consider the Company's application for approval of the purchase.

The Company's position under the Anti-Inflation Legislation for the current fiscal year is not yet clear.

Advance sales bookings continue to reflect increases over the previous year.

JOHN W. H. BASSETT
President and Chairman of the Board

April 7, 1978